

**HARDIN COUNTY SANITARY SOLID WASTE
DISPOSAL COMMISSION**

**Independent Auditors' Reports
Basic Financial Statements and
Required Supplementary Information
Schedule of Findings**

June 30, 2014 and 2013

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HARDIN COUNTY SANITARY SOLID WASTE DISPOSAL COMMISSION

Officials

| <u>Name</u> | <u>Title</u> | <u>Representing</u> |
|---------------------|--------------|------------------------|
| Steve Hunt | Chairperson | City of Alden |
| Arlene Thuente | Member | City of Ackley |
| Don Bahr | Member | City of Buckeye |
| Joan Seaton | Member | City of Eldora |
| Wes Kix | Member | City of Hubbard |
| Jody Anderson | Member | City of Iowa Falls |
| Chris Renihan | Member | City of New Providence |
| James Nehring | Member | City of Owasa |
| Brad Fjelland | Member | City of Radcliffe |
| Jeff Risius | Member | City of Steamboat Rock |
| Martin Rogers | Member | City of Union |
| Lance Granzow | Member | Hardin County |
| Susan Engelking | Director | |



C E R T I F I E D ♦ P U B L I C ♦ A C C O U N T A N T S

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Independent Auditors' Report

To the Members of the Hardin County
Sanitary Solid Waste Disposal Commission:

Report on the Financial Statements

We have audited the accompanying financial statements of the Hardin County Sanitary Solid Waste Disposal Commission as of and for the years ended June 30, 2014, and 2013, and the related Notes to Financial Statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Commission's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hardin County Sanitary Solid Waste Disposal Commission as of June 30, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require Management's Discussion and Analysis on pages 4 through 7 and the Schedule of Funding Progress for the Retiree Health Plan on page 22 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated September 26, 2014 on our consideration of the Hardin County Sanitary Solid Waste Disposal Commission's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Hardin County Sanitary Solid Waste Disposal Commission's internal control over financial reporting and compliance.

Bowman & Miller, P.C.

September 26, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Hardin County Sanitary Solid Waste Disposal Commission provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal years ended June 30, 2014 and 2013. We encourage readers to consider this information in conjunction with the Commission's financial statements, which follow.

2014 FINANCIAL HIGHLIGHTS

- ◆ The Commission's operating revenues increased 5.8%, or \$80,753, from fiscal year 2013 to fiscal year 2014. Revenues from gate fees increased while recycling sales and other operating revenues decreased slightly.
- ◆ The Commission's operating expenses were 8.2%, or \$117,460, more in fiscal year 2014 than in fiscal year 2013.
- ◆ The Commission's net position decreased 4.8%, or \$82,126, from June 30, 2013 to June 30, 2014.

USING THIS ANNUAL REPORT

The Hardin County Sanitary Solid Waste Disposal Commission is a 28E organization and presents its financial statements using the economic resources measurement focus and accrual basis of accounting, which is the same measurement focus and basis of accounting employed by private sector business enterprises. This discussion and analysis is intended to serve as an introduction to the Hardin County Sanitary Solid Waste Disposal Commission's basic financial statements. The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the Commission's financial activities.

The Statements of Net Position present information on the Commission's assets and deferred outflows of resources less the Commission's liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Net Position are the basic statements of activities for proprietary funds. These statements present information on the Commission's operating revenues and expenses, non-operating revenues and expenses and whether the Commission's financial position has improved or deteriorated as a result of the year's activities.

The Statements of Cash Flows present the change in the Commission's cash and cash equivalents during the years. This information can assist readers of the report in determining how the Commission financed its activities and how it met its cash requirements.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information presents the Schedule of Funding Progress for the Retiree Health Plan.

FINANCIAL ANALYSIS OF THE COMMISSION

Statements of Net Position

As noted earlier, net position may serve over time as a useful indicator of the Commission's financial position. The Commission's net position at the end of fiscal year 2014 totaled \$1,634,553. This compares to \$1,716,679 at the end of fiscal year 2013. A summary of the Commission's net position is presented below.

| Net Position | | |
|---|--------------|-----------|
| | June 30, | |
| | 2014 | 2013 |
| Current assets | \$ 1,041,750 | 885,230 |
| Capital assets at cost, less accumulated depreciation | 805,183 | 1,007,139 |
| Total assets | 1,846,933 | 1,892,369 |
| Current liabilities | 127,629 | 104,566 |
| Noncurrent liabilities | 84,751 | 71,124 |
| Total liabilities | 212,380 | 175,690 |
| Net position: | | |
| Invested in capital assets | 805,183 | 1,007,139 |
| Unrestricted | 829,370 | 709,540 |
| Total net position | \$ 1,634,553 | 1,716,679 |

The unrestricted portion of the Commission's net position (51%) may be used to meet the Commission's obligations as they come due. The invested in capital assets (e.g., land, buildings and equipment) portion of net position (49%) are resources allocated to capital assets.

Statements of Revenues, Expenses and Changes in Net Position

Operating revenues are received for gate fees from accepting solid waste and assessments from the residents of the County. Operating expenses are expenses paid to operate the recycling center and fees paid to the landfill. Non-operating revenues include interest income and insurance recovery. The utilization of capital assets is reflected in the financial statements as depreciation, which allocates the cost of an asset over its expected useful life. A summary of revenues, expenses and changes in net position for the years ended June 30, 2014 and 2013 is presented below:

| | Changes in Net Position | |
|---|-------------------------|------------------|
| | Year ended June 30, | |
| | 2014 | 2013 |
| Operating revenues: | | |
| Gate fees | \$ 807,923 | 721,547 |
| County and city assessments | 521,564 | 521,564 |
| Recycling sales | 117,580 | 119,299 |
| Other operating revenues | 23,592 | 27,496 |
| Total operating revenues | <u>1,470,659</u> | <u>1,389,906</u> |
| Operating expenses: | | |
| Payments to Rural Iowa Waste Management Association for landfill operations | 724,648 | 640,966 |
| Recycling center: | | |
| Contract expense | 15,125 | 15,995 |
| Marketing recycling materials | 4,580 | 4,118 |
| Salaries and benefits | 450,719 | 437,938 |
| Unemployment benefits | - | 9,672 |
| Depreciation | 177,687 | 180,574 |
| Non-capitalized equipment | 10,339 | 5,847 |
| Site maintenance | 68,924 | 57,512 |
| Legal and accounting | 14,064 | 12,887 |
| Insurance | 38,734 | 23,660 |
| Telephone and utilities | 35,018 | 29,428 |
| Office expenses | 4,695 | 6,074 |
| Advertising and recycling promotion | 4,145 | 3,165 |
| Tire recycling | 1,316 | 874 |
| Equipment repair | 1,480 | 6,282 |
| Uniforms | 1,546 | 1,265 |
| Miscellaneous | 3,630 | 2,933 |
| Total operating expenses | <u>1,556,650</u> | <u>1,439,190</u> |
| Operating loss | <u>(85,991)</u> | <u>(49,284)</u> |
| Non-operating revenues: | | |
| Interest income | 3,653 | 4,048 |
| Insurance recovery | 212 | 2,891 |
| Total non-operating revenues | <u>3,865</u> | <u>6,939</u> |
| Change in net position | (82,126) | (42,345) |
| Net position beginning of year | <u>1,716,679</u> | <u>1,759,024</u> |
| Net position end of year | \$ <u>1,634,553</u> | <u>1,716,679</u> |

The Statements of Revenues, Expenses and Changes in Net Position reflect a negative year financially with a decrease in net position at the end of the current fiscal year.

In fiscal year 2014, operating revenues increased \$80,753, or 5.8%, which is primarily a result of an increase of gates fees due to a higher volume of collections. Operating expenses increased \$117,460, or 8.2%. The increase was primarily a result of payments to Rural Iowa Waste Management Association for landfill operations increasing \$83,682 due to the increase in the volume of collections, as noted earlier.

Statements of Cash Flows

The Statements of Cash Flows present information related to cash inflows and outflows, summarized by operating, capital and related financing and investing activities. Cash provided by operating activities includes gate fees and assessments reduced by payments to employees and to suppliers. Cash provided by non-capital financing activities includes insurance reimbursements. Cash used by capital and related financing activities includes the purchase of capital assets. Cash provided by investing activities includes the purchase and redemption of certificates of deposit and interest income.

CAPITAL ASSETS

At June 30, 2014, the Commission had \$805,183 invested in capital assets, net of accumulated depreciation of \$1,817,626. Depreciation expense totaled \$177,687 and \$180,574 for fiscal years 2014 and 2013, respectively. More detailed information about the Commission's capital assets is presented in Note 5 to the financial statements.

ECONOMIC FACTORS

The Hardin County Sanitary Solid Waste Disposal Commission financial position continued to decline during the current fiscal year. The current condition of the economy in the state continues to be a concern for Commission officials. Some of the realities which may potentially become challenges for the Commission to meet are:

- ◆ Facilities and equipment at the Commission require constant maintenance and upkeep.
- ◆ Technology continues to expand and current technology becomes outdated presenting an ongoing challenge to maintain up to date technology at a reasonable cost.
- ◆ Volatility of the recyclables markets and the effect on net processing cost and product volume.
- ◆ The effect of increasing fuel and energy costs on operations.

The Commission anticipates the current fiscal year will be much like the last and will maintain a close watch over resources to maintain the Commission's ability to react to unknown issues. The Commission does plan to purchase new pieces of equipment in fiscal year 2015 to replace old equipment currently in use.

CONTACTING THE COMMISSION'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Commission's finances and to show the Commission's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Hardin County Sanitary Solid Waste Disposal Commission, 20482 M Ave., Eldora, Iowa, 50627-1699.

HARDIN COUNTY SANITARY SOLID WASTE DISPOSAL COMMISSION

Exhibit A

Statements of Net Position June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|--|---------------------|------------------|
| Assets | | |
| Current assets: | | |
| Cash | \$ 740,751 | 577,242 |
| Investments | 200,900 | 201,145 |
| Accounts receivable | 81,299 | 87,633 |
| Prepaid insurance | 18,800 | 19,210 |
| Total current assets | <u>1,041,750</u> | <u>885,230</u> |
| Noncurrent assets: | | |
| Capital assets (net of accumulated depreciation) | <u>805,183</u> | <u>1,007,139</u> |
| Total assets | <u>1,846,933</u> | <u>1,892,369</u> |
| Liabilities | | |
| Current liabilities: | | |
| Accounts payable | 86,071 | 76,984 |
| Salaries and benefits payable | 20,783 | 17,464 |
| Deferred revenue | 11,035 | - |
| Accrued garnishment | - | 417 |
| Compensated absences | 9,740 | 9,701 |
| Total current liabilities | <u>127,629</u> | <u>104,566</u> |
| Noncurrent liabilities: | | |
| Net OPEB liability | <u>84,751</u> | <u>71,124</u> |
| Total noncurrent liabilities | <u>84,751</u> | <u>71,124</u> |
| Total liabilities | <u>212,380</u> | <u>175,690</u> |
| Net position | | |
| Invested in capital assets | 805,183 | 1,007,139 |
| Unrestricted | <u>829,370</u> | <u>709,540</u> |
| Total net position | <u>\$ 1,634,553</u> | <u>1,716,679</u> |

HARDIN COUNTY SANITARY SOLID WASTE DISPOSAL COMMISSION

Exhibit B

Statements of Revenues, Expenses and Changes in Net Position Years ended June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|---|---------------------|------------------|
| Operating revenues: | | |
| Gate fees | \$ 807,923 | 721,547 |
| County and city assessments | 521,564 | 521,564 |
| Recycling sales | 117,580 | 119,299 |
| Other operating revenues | 23,592 | 27,496 |
| Total operating revenues | <u>1,470,659</u> | <u>1,389,906</u> |
| Operating expenses: | | |
| Payments to Rural Iowa Waste Management Association for landfill operations | 724,648 | 640,966 |
| Recycling center: | | |
| Contract expense | 15,125 | 15,995 |
| Marketing recycling materials | 4,580 | 4,118 |
| Salaries and benefits | 450,719 | 437,938 |
| Unemployment benefits | - | 9,672 |
| Depreciation | 177,687 | 180,574 |
| Non-capitalized equipment | 10,339 | 5,847 |
| Site maintenance | 68,924 | 57,512 |
| Legal and accounting | 14,064 | 12,887 |
| Insurance | 38,734 | 23,660 |
| Telephone and utilities | 35,018 | 29,428 |
| Office expenses | 4,695 | 6,074 |
| Advertising and recycling promotion | 4,145 | 3,165 |
| Tire recycling | 1,316 | 874 |
| Equipment repair | 1,480 | 6,282 |
| Uniforms | 1,546 | 1,265 |
| Miscellaneous | 3,630 | 2,933 |
| Total operating expenses | <u>1,556,650</u> | <u>1,439,190</u> |
| Operating loss | <u>(85,991)</u> | <u>(49,284)</u> |
| Non-operating revenues: | | |
| Interest income | 3,653 | 4,048 |
| Insurance recovery | 212 | 2,891 |
| Total non-operating revenues | <u>3,865</u> | <u>6,939</u> |
| Change in net position | (82,126) | (42,345) |
| Net position beginning of year | <u>1,716,679</u> | <u>1,759,024</u> |
| Net position end of year | <u>\$ 1,634,553</u> | <u>1,716,679</u> |

HARDIN COUNTY SANITARY SOLID WASTE DISPOSAL COMMISSION

Exhibit C

Statements of Cash Flows Years ended June 30, 2014 and 2013

| | <u>2014</u> | <u>2013</u> |
|---|-------------------|------------------|
| Cash flows from operating activities: | | |
| Cash received from gate fees | \$ 814,257 | 691,868 |
| Cash received from assessments | 521,564 | 521,564 |
| Cash received from recycling and other operating receipts | 141,172 | 146,795 |
| Cash paid to suppliers for goods and services | (918,747) | (806,539) |
| Cash paid to employees for services | (423,117) | (424,526) |
| Net cash provided by operating activities | <u>135,129</u> | <u>129,162</u> |
| Cash flows from non-capital financing activities: | | |
| Cash received from insurance recovery | 212 | 2,891 |
| Net cash provided by non-capital financing activities | <u>212</u> | <u>2,891</u> |
| Cash flows from capital and related financing activities: | | |
| Purchase of capital assets | - | (154,380) |
| Disposal of capital assets | 24,270 | - |
| Net cash provided (used) by capital and related financing activities | <u>24,270</u> | <u>(154,380)</u> |
| Cash flows from investing activities: | | |
| Proceeds from redemption of certificates of deposit | 201,400 | 202,306 |
| Purchase of certificates of deposit | (201,155) | (201,564) |
| Interest received | 3,653 | 4,048 |
| Net cash provided by investing activities | <u>3,898</u> | <u>4,790</u> |
| Net increase (decrease) in cash and cash equivalents | 163,509 | (17,537) |
| Cash and cash equivalents beginning of year | <u>577,242</u> | <u>594,779</u> |
| Cash and cash equivalents end of year | <u>\$ 740,751</u> | <u>577,242</u> |
| Reconciliation of operating loss to net cash provided by operating activities: | | |
| Operating loss | \$ (85,991) | (49,284) |
| Adjustments to reconcile operating loss to net cash provided by operating activities: | | |
| Depreciation | 177,687 | 180,574 |
| Changes in assets and liabilities: | | |
| (Increase) decrease in accounts receivable | 6,334 | (29,679) |
| (Increase) decrease in prepaid items | 410 | (842) |
| Increase (decrease) in compensated absences | 39 | (4,223) |
| Increase (decrease) in accounts payable | 9,087 | 14,981 |
| Increase (decrease) in salaries and benefits payable | 3,318 | 4,178 |
| Increase (decrease) in accrued garnishment | (417) | 417 |
| Increase (decrease) in deferred revenue | 11,035 | - |
| Increase (decrease) in OPEB | 13,627 | 13,040 |
| Total adjustments | <u>221,120</u> | <u>178,446</u> |
| Net cash provided by operating activities | <u>\$ 135,129</u> | <u>129,162</u> |

See notes to financial statements.

HARDIN COUNTY SANITARY SOLID WASTE DISPOSAL COMMISSION

Notes to Financial Statements June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies

The Hardin County Sanitary Solid Waste Disposal Commission was formed in 1971 pursuant to the provisions of Chapter 28E of the Code of Iowa. The Commission was established for the purpose of developing, operating, maintaining and providing services in connection with a solid waste disposal facility for the units of government which are parties to the agreement. The participating units of government include the cities of Ackley, Alden, Buckeye, Eldora, Hubbard, Iowa Falls, New Providence, Owasa, Radcliffe, Steamboat Rock and Union and Hardin County.

The Commission may cooperate, contract with and accept and expend funds from federal, state or local agencies, public or semi-public, private individuals or corporations, and may carry out such cooperative undertakings and contracts as provided by law.

The Commission is composed of one representative and one alternate from each participating unit of government to be designated by that government. The Commission utilizes a vote based on one vote for each governmental unit.

The Commission's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, the Hardin County Sanitary Solid Waste Disposal Commission has included all funds, organizations, agencies, boards, commissions and authorities. The Commission has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Commission are such that exclusion would cause the Commission's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the Commission to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Commission. The Commission has no component units which meet the Governmental Accounting Standards Board criteria.

The Commission is a member of the Rural Iowa Waste Management Association (RIWMA), a jointly governed organization established pursuant to Chapter 28E of the Code of Iowa. The Association is composed of two members from the Hardin County Sanitary Solid Waste Disposal Commission and from the Butler County Solid Waste Commission. The purpose of the Commission is to effectively provide for the sanitary disposal of solid waste within the boundaries of Butler and Hardin Counties through the joint operation of a landfill site and the initiation of such other solid waste reduction or recycling programs as the Commissions/Authorities deem necessary and beneficial to the citizens they serve.

HARDIN COUNTY SANITARY SOLID WASTE DISPOSAL COMMISSION

Notes to Financial Statements (Continued) June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

RIWMA is responsible for sanitary landfill activities. The responsibilities for hazardous waste, waste reduction, special waste and education under the Environmental Protection Act remain with each separate Commission/Authority.

In July 1994, the Hardin County Sanitary Solid Waste Disposal Commission transferred to RIWMA, under quit claim deed, its interest in the sanitary landfill and the compost facility. Upon transfer of the landfill property, RIWMA became primarily responsible for all future commitments and liabilities associated with the landfill and its operation under the permit issued in December 1994.

B. Basis of Presentation

The accounts of the Commission are organized as an Enterprise Fund. Enterprise Funds are used to account for operations (a) financed and operated in a manner similar to private business enterprises, where the intent of the governing body is the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges or (b) where the governing body has decided periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

C. Measurement Focus and Basis of Accounting

The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The Commission distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Commission's principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

HARDIN COUNTY SANITARY SOLID WASTE DISPOSAL COMMISSION

Notes to Financial Statements (Continued) June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Position

The following accounting policies are followed in preparing the Statements of Net Position:

Cash, Cash Equivalents and Investments – The Commission considers all short-term investments that are highly liquid to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months. Cash investments not meeting the definition of cash equivalents at June 30, 2014 and 2013 include certificates of deposit of \$200,900 and \$201,145, respectively.

Capital Assets – Capital assets are accounted for at historical cost. Depreciation of all exhaustible capital assets is charged as an expense against operations. The cost of repair and maintenance is charged to expense while the cost of renewals or substantial betterments is capitalized. The cost and accumulated depreciation of assets disposed of are deleted, with any gain or loss recorded in current operations.

Reportable capital assets are defined by the Commission as assets with initial, individual costs in excess of the following thresholds and estimated useful lives in excess of two years.

| Asset Class | Amount |
|----------------------------------|----------|
| Land, buildings and improvements | \$25,000 |
| Equipment and vehicles | 1,500 |

Capital assets of the Commission are depreciated using the straight line method over the following estimated useful lives:

| Asset Class | Estimated Useful lives (In Years) |
|----------------------------|---|
| Buildings and improvements | 20 |
| Equipment and vehicles | 3 - 10 |

Interest is capitalized on qualified assets acquired with certain tax-exempt debt. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. There were no qualifying assets acquired during the years ended June 30, 2014 and 2013.

HARDIN COUNTY SANITARY SOLID WASTE DISPOSAL COMMISSION

Notes to Financial Statements (Continued) June 30, 2014 and 2013

(1) Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities and Net Position (Continued)

Compensated Absences – Commission employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement and sick leave hours for subsequent use or for payment upon retirement. The Commission's liability for accumulated vacation and sick leave hours has been computed based on rates of pay in effect at June 30, 2014 and 2013.

(2) Cash, Cash Equivalents and Investments

The Commission's deposits in banks at June 30, 2014 and 2013 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against depositories to insure there will be no loss of public funds.

The Commission is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Commission; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The Commission had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 3, as amended by Statement No. 40.

(3) Pension and Retirement Benefits

The Commission contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P.O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 5.95% of their annual covered salary and the Commission is required to contribute 8.93% of covered salary. Contribution requirements are established by state statute. The Commission's contributions to IPERS for the years ended June 30, 2014, 2013 and 2012 were \$26,144, \$24,106 and \$21,894, respectively, equal to the required contributions for each year.

HARDIN COUNTY SANITARY SOLID WASTE DISPOSAL COMMISSION

Notes to Financial Statements (Continued) June 30, 2014 and 2013

(4) Other Postemployment Benefits (OPEB)

The Commission participates in the Hardin County post retirement medical plan (OPEB). The OPEB Plan recognizes the implicit rate subsidy as required by GASB Statement No. 45.

Plan Description. The County operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 9 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a partially self-funded medical plan administered by Wellmark. Retirees under age 65 pay 102% of the full active employee premium rate for the medical/prescription drug benefit, which results in an implicit rate subsidy and an OPEB liability.

Funding Policy. The contribution requirements of plan members are established and may be amended by the Commission. The Commission currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation. The Commission's annual OPEB cost is calculated based on the annual required contribution (ARC) of the Commission, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding which, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the Commission's annual OPEB cost for the years ended June 30, 2014 and 2013, the amount actuarially contributed to the plan and changes in the Commission's net OPEB obligation:

| | <u>2014</u> | <u>2013</u> |
|--|-------------------------|-------------------------|
| Annual required contribution | \$ 20,313 | \$ 20,313 |
| Interest on net OPEB obligation | 3,201 | 2,614 |
| Adjustment to annual required contribution | (9,887) | (9,887) |
| Annual OPEB cost | <u>13,627</u> | <u>13,040</u> |
| Contributions made | - | - |
| Increase in net OPEB obligation | <u>13,627</u> | <u>13,040</u> |
| Net OPEB obligation beginning of year | 71,124 | 58,084 |
| Net OPEB obligation end of year | <u><u>\$ 84,751</u></u> | <u><u>\$ 71,124</u></u> |

For calculation of the net OPEB obligation, the actuary has set the transition day as July 1, 2009. The end of the year net OPEB obligation was calculated by the actuary as the cumulative difference between the actuarially determined funding requirements and the actual contributions for the year ended June 30, 2014.

HARDIN COUNTY SANITARY SOLID WASTE DISPOSAL COMMISSION

Notes to Financial Statements (Continued) June 30, 2014 and 2013

(4) Other Postemployment Benefits (OPEB) (Continued)

The Commission's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2014 are summarized below:

| Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---------------|------------------|--|---------------------|
| June 30, 2010 | \$19,360 | 0% | \$19,360 |
| June 30, 2011 | \$19,360 | 0% | \$38,990 |
| June 30, 2012 | \$19,094 | 0% | \$58,084 |
| June 30, 2013 | \$13,040 | 0% | \$71,124 |
| June 30, 2014 | \$13,627 | 0% | \$84,751 |

Funded Status and Funding Progress. As of July 1, 2012, the most recent actuarial valuation date for the period July 1, 2013 through June 30, 2014, the actuarial accrued liability was \$105,030, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$105,030. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$295,085 and the ratio of the UAAL to covered payroll was 35.6%. As of June 30, 2014, there were no trust fund assets.

Actuarial Methods and Assumptions. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress, presented as Required Supplementary Information in the section following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projection of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2012 actuarial valuation date, the unit credit actuarial cost method was used. The actuarial assumptions include a 4.5% investment return rate based on the Commission's funding policy. The projected annual medical trend rate is 7%. The ultimate medical trend rate is 5%. The medical trend rate is reduced 1% each year until reaching the 5% ultimate trend rate.

HARDIN COUNTY SANITARY SOLID WASTE DISPOSAL COMMISSION

Notes to Financial Statements (Continued) June 30, 2014 and 2013

(4) Other Postemployment Benefits (OPEB) (Continued)

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. Annual retirement and termination probabilities were developed from retirement possibilities from the IPERS Actuarial Report as of June 30, 2010 and applying the termination factors used in the IPERS Actuarial Report as of June 30, 2010.

Projected claim costs of the medical plan are \$514 per month for retirees less than age 65 and selecting the Alliance Select program and \$470 per month for retirees less than age 65 and selecting the Blue Advantage program. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

(5) Capital Assets

A summary of capital assets at June 30, 2014 is as follows:

| | Balance Beginning of Year | Increases | Decreases | Balance End of Year |
|--|---------------------------------|-----------|-----------|---------------------------|
| Capital assets not being depreciated: | | | | |
| Land | \$ 100,000 | - | - | 100,000 |
| Capital assets being depreciated: | | | | |
| Buildings | 1,384,379 | - | - | 1,384,379 |
| Equipment and vehicles | 1,169,413 | - | 30,983 | 1,138,430 |
| Total capital assets being depreciated | 2,553,792 | - | 30,983 | 2,522,809 |
| Less accumulated depreciation for: | | | | |
| Buildings | 864,846 | 69,322 | - | 934,168 |
| Equipment and vehicles | 781,807 | 108,365 | 6,714 | 883,458 |
| Total accumulated depreciation | 1,646,653 | 177,687 | 6,714 | 1,817,626 |
| Total capital assets being depreciated, net | 907,139 | (177,687) | 24,269 | 705,183 |
| Total capital assets, net | \$ 1,007,139 | (177,687) | 24,269 | 805,183 |

HARDIN COUNTY SANITARY SOLID WASTE DISPOSAL COMMISSION

Notes to Financial Statements (Continued) June 30, 2014 and 2013

(6) Closure and Postclosure Care

To comply with federal and state regulations, the Commission is required to complete a monitoring system plan and a closure/postclosure care plan and to provide funding necessary to effect closure and postclosure care, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year postclosure care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collecting and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consists of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually for changes due to inflation or deflation, technology, or applicable laws or regulations.

Upon transfer of the landfill property to the Rural Iowa Waste Management Association (RIWMA), RIWMA became primarily responsible for all future commitments and liabilities associated with the landfill and its operations. However, according to the Commission's attorney, neither 28E provisions nor Commission resolutions can alter the legal responsibility of any prior owners of landfill sites with regard to the above EPA requirements. Accordingly, the Commission remains contingently liable for the closure and postclosure care costs. At June 30, 2014, these costs are estimated at \$2,962,300 and RIWMA was required to have \$1,491,434 of those costs restricted in a dedicated trust fund. RIWMA has elected to demonstrate financial assurance for these costs by using three financial assurance mechanisms totaling \$1,510,225, resulting in an overage of \$18,791. Currently, RIWMA has designated an additional investment for the financial assurance dedicated fund in a sufficient amount for financial assurance.

HARDIN COUNTY SANITARY SOLID WASTE DISPOSAL COMMISSION

Notes to Financial Statements (Continued) June 30, 2014 and 2013

(7) Risk Management

The Commission is a member in the Iowa Communities Assurance Pool, as allowed by Chapter 670.7 of the Code of Iowa. The Iowa Communities Assurance Pool (Pool) is a local government risk-sharing pool whose 700 members include various governmental entities throughout the State of Iowa. The Pool was formed in August 1986 for the purpose of managing and funding third-party liability claims against its members. The Pool provides coverage and protection in the following categories: general liability, automobile liability, automobile physical damage, public official's liability, police professional liability, property, inland marine and boiler/machinery. There have been no reductions in insurance coverage from prior years.

Each member's annual casualty contributions to the Pool fund current operations and provide capital. Annual operating contributions are those amounts necessary to fund, on a cash basis, the Pool's general and administrative expenses, claims, claims expenses and reinsurance expenses due and payable in the current year, plus all or any portion of any deficiency in capital. Capital contributions are made during the first six years of membership and are maintained to equal 200 percent of the total current members' basis rates or to comply with the requirements of any applicable regulatory authority having jurisdiction over the Pool.

The Pool also provides property coverage. Members who elect such coverage make annual operating contributions which are necessary to fund, on a cash basis, the Pool's general and administrative expenses and reinsurance premiums, all of which are due and payable in the current year, plus all or any portion of any deficiency in capital. Any year-end operating surplus is transferred to capital. Deficiencies in operations are offset by transfers from capital and, if insufficient, by the subsequent year's member contributions.

The Commission's property and casualty contributions to the risk pool are recorded as expenditures from its operating funds at the time of payment to the risk pool. The Commission's contributions to the Pool for the years ended June 30, 2014 and 2013 were \$25,510 and \$25,633, respectively.

The Pool uses reinsurance and excess risk-sharing agreements to reduce its exposure to large losses. The Pool retains general, automobile, police professional, and public officials' liability risks up to \$350,000 per claim. Claims exceeding \$350,000 are reinsured in an amount not to exceed \$2,650,000 per claim and \$10,000,000 in aggregate per year. For members requiring specific coverage from \$3,000,000 to \$10,000,000, such excess coverage is also reinsured. Property and automobile physical damage risks are retained by the Pool up to \$150,000 each occurrence, each location, with excess coverage reinsured by The Travelers Insurance Company.

The Pool's intergovernmental contract with its members provides that in the event a casualty claim or series of claims exceeds the amount of risk-sharing protection provided by the member's risk-sharing certificate, or in the event a series of casualty claims exhausts total members' equity plus any reinsurance and any excess risk-sharing recoveries, then payment of such claims shall be the obligation of the respective individual member. As of June 30, 2014, settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

HARDIN COUNTY SANITARY SOLID WASTE DISPOSAL COMMISSION

Notes to Financial Statements (Continued) June 30, 2014 and 2013

settled claims have not exceeded the risk pool or reinsurance coverage since the Pool's inception.

(7) Risk Management (Continued)

Members agree to continue membership in the Pool for a period of not less than one full year. After such period, a member who has given 60 days' prior written notice may withdraw from the Pool. Upon withdrawal, payments for all casualty claims and claims expenses become the sole responsibility of the withdrawing member, regardless of whether a claim was incurred or reported prior to the member's withdrawal. Members withdrawing within the first six years of membership may receive a partial refund of their casualty capital contributions. If a member withdraws after the sixth year, the member is refunded 100 percent of its casualty capital contributions.

However, the refund is reduced by an amount equal to the annual casualty operating contribution which the withdrawing member would have made for the one-year period following withdrawal.

The Commission also carries commercial insurance purchased from other insurers for coverage associated with workers compensation in the amount of \$1,000,000. The Commission assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

(8) Operating Lease

The Commission has entered into a five year lease agreement with Premier Office Equipment for a copier that expires April 23, 2019.

The future minimum lease payments under the operating lease which has a remaining term in excess of one year as of June 30, 2014, is:

Years ending June 30:

| | |
|---------------------|-----------------|
| 2015 | \$ 1,947 |
| 2016 | 1,947 |
| 2017 | 1,947 |
| 2018 | 1,947 |
| 2019 and thereafter | <u>1,460</u> |
| | \$ <u>9,248</u> |

Rent expense for the years ended June 30, 2014 and 2013 was \$3,316 and \$3,495, respectively.

HARDIN COUNTY SANITARY SOLID WASTE DISPOSAL COMMISSION

Notes to Financial Statements (Continued) June 30, 2014 and 2013

(9) Prospective Accounting Change

The Governmental Accounting Standards Board has issued Statement No. 68, Accounting and Financial Reporting for Pensions - an Amendment of GASB No. 27. This statement will be implemented for the year ending June 30, 2015. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with pension benefits, including additional note disclosures and required supplementary information. In addition, the Statement of Net Position is required supplementary information. In addition, the Statement of Net Position is expected to include a significant liability for the Association's proportionate share of the employee pension plan.

(10) Date of Management Evaluation

Management has evaluated subsequent events through September 26, 2014, the date on which the financial statements were available to be issued.

HARDIN COUNTY SANITARY SOLID WASTE DISPOSAL COMMISSION

Schedule of Funding Progress for the Retiree Health Plan

Required Supplementary Information

| Year Ended June 30, | Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---------------------------|--------------------------------|--|---|------------------------------------|--------------------------|---------------------------|---|
| 2010 | July 1, 2009 | - | \$61,834 | \$61,834 | 0.00% | \$245,221 | 25.2% |
| 2011 | July 1, 2009 | - | 61,834 | 61,834 | 0.00% | 278,735 | 22.2 |
| 2012 | July 1, 2009 | - | 61,834 | 61,834 | 0.00% | 261,579 | 23.6 |
| 2013 | July 1, 2012 | - | 105,030 | 105,030 | 0.00% | 277,547 | 37.8 |
| 2014 | July 1, 2012 | - | 105,030 | 105,030 | 0.00% | 295,085 | 35.6 |

See Note 4 in the accompanying Notes to the Financial Statements for the plan description, funding policy, annual OPEB cost, net OPEB obligation, funded status and funding progress.



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Independent Auditors' Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on Audits of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Members of the Hardin County Sanitary
Solid Waste Disposal Commission:

We have audited, in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the Hardin County Sanitary Solid Waste Disposal Commission as of and for the years ended June 30, 2014 and 2013, and the related Notes to Financial Statements, and have issued our report thereon dated September 26, 2014.

Internal Control Over Financial Reporting

In planning and performing our audits of the financial statements, we considered the Hardin County Sanitary Solid Waste Disposal Commission's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Hardin County Sanitary Solid Waste Disposal Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Hardin County Sanitary Solid Waste Disposal Commission's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Hardin County Sanitary Solid Waste Disposal Commission's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Hardin County Sanitary Solid Waste Disposal Commission's financial statements are free of material misstatement, we performed tests of its

compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts.

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters required to be reported under Government Auditing Standards.

Comments involving statutory and other legal matters about the Commission's operations for the years ended June 30, 2014 and 2013 are based exclusively on knowledge obtained from procedures performed during our audits of the financial statements of the Commission. Since our audits were based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing and not to provide an opinion on the effectiveness of the Commission's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Commission's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Hardin County Sanitary Solid Waste Disposal Commission during the course of our audits. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Bowman and Miller, P.C.

September 26, 2014

**HARDIN COUNTY SANITARY SOLID WASTE
DISPOSAL COMMISSION**

**Schedule of Findings
Years ended June 30, 2014 and 2013**

Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

No matters were noted.

INSTANCES OF NON-COMPLIANCE:

No matters were noted.

HARDIN COUNTY SANITARY SOLID WASTE DISPOSAL COMMISSION

Schedule of Findings (Continued) Years Ended June 30, 2014 and 2013

Other Findings Related to Required Statutory Reporting:

- (1) Questionable Expenses – No expense we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- (2) Travel Expense – No expenditures of money for travel expenses of spouses of Commission officials or employees were noted.
- (3) Board Minutes – No transactions were found that we believe should have been approved in the Commission minutes but were not.
- (4) Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapters 12B and 12C of the Code of Iowa were noted.

HARDIN COUNTY SANITARY SOLID WASTE DISPOSAL COMMISSION

Staff

This audit was performed by:

**BOWMAN & MILLER, P.C.
Certified Public Accountants
Marshalltown, Iowa**

Personnel:

**Nathan P. Minkel, CPA, Partner
Taylor G. Johnson, CPA, Staff
Diana S. Swanson, Staff**